LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7412 | **DATE PREPARED:** Mar 2, 1999
BILL NUMBER: HB 2057 | **BILL AMENDED:** Mar 1, 1999

SUBJECT: School to career program tax credit.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(500,000)	(500,000)
State Expenditures			
Net Increase (Decrease)		(500,000)	(500,000)

Summary of Legislation: (Amended) This bill establishes a tax credit for certified school to career programs. It provides a two-year credit against state tax liability for wages paid to a participant in a certified school to career program.

Effective Date: (Amended) January 1, 1999 [retroactive]; July 1, 1999.

Explanation of State Expenditures: (Revised) This bill creates a certified school to career program tax credit. A program certified under this bill would place high school students in internships where business professionals would serve as mentors. To be eligible for the tax credit, a business must contribute money for a participant's college tuition (in addition to any regular salary). After completing the internship and the postsecondary educational requirements of the program, the participant would be required to work a minimum of two years for the sponsoring business. The Department of Workforce Development (DWD) estimates that nearly 35,000 individuals in Indiana between the ages of 16 and 24 will participate in some kind of school-to-work program in 1999, although it is not known how many would qualify as certified programs under the provisions of this bill.

Under this bill, the DWD and the state Department of Education (DOE) would both have to approve certified school to work programs and adopt rules to implement these programs. The costs associated with this requirement would depend on the number of programs that must be certified.

The Department of Revenue (DOR) would also incur some additional costs as a result of this program. The DOR would have to develop forms for the reporting of this credit, but would be able to absorb the related expenses of processing, printing, and computer programming within its current budget. A taxpayer seeking credits for program expenditures would have to submit payroll and other information to the Department. The costs to the DOR of approving expenditures would depend on the number of taxpayers that submit requests for credits.

Explanation of State Revenues: (Revised) This bill establishes a two-year credit for certified school to career programs. The credits granted to each taxpayer would equal 20% of payroll expenditures for program interns. The credit is also limited to the first 400 hours of payroll expenditures in one year for each participant. Under this proposal, a maximum of $500,000 each year in total credits could be granted and no more credits would be allowed after FY 2001.

The credits could be taken against a taxpayer's gross income tax, adjusted gross income tax, supplemental net income tax, bank tax, savings and loan tax, financial institutions tax, and insurance premiums tax liability. The bill also allows the credit to be taken by partners or shareholders of pass-through entities. Unused credits would be refundable, and if the credit exceeds the taxpayer's total state liability in one year, the excess may be carried over. Income tax revenue is deposited in the General Fund and the Property Tax Replacement Fund.

Secondary impact: If certified school to work programs are successful in creating employment opportunities and enhancing the earning potential of program participants, there could be future increases in personal income tax collections. Greater personal income may also result in increased revenue from other taxes, such as the sales tax, the motor vehicle excise tax, and others.

Explanation of Local Expenditures:

Explanation of Local Revenues: If certified school to work programs are successful in enhancing the earning potential of program participants, there could be positive secondary fiscal impacts for local units (see above Explanation of State Revenues, Secondary impact).

State Agencies Affected: Department of Workforce Development, Department of Education, Department of Revenue.

Local Agencies Affected:

Information Sources: Pat Murphy, Deputy Commissioner, Department of Workforce Development, (317) 232-1463; Leslie Richardson, Director, Division of Research, IDOC, (317) 232-8962.